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Part of Peru's large anchovy fishing fleet.

Agrimonetary Measures Overshadow EC's Minimal Price Rise

By John Dunmore

While maintaining some semblance of its original austerity, the final European Community (EC) 1978/79 farm price package—following agreed-upon agrimonetary adjustments—managed to provide something positive for most EC producers.

The price package originally proposed by the EC Commission called for an average farm price increase of only 2.0 percent in terms of units of account (u.a.).[1]

That level was less than half the Commission's objective method calculation (basically a cost-plus formula) of 4.2 percent and the smallest annual price rise for EC producers since the price freezes of the late 1960's.

In calling for only a slight increase in average farm prices for 1978/79, the EC Commission appeared to be signaling a new approach to management of the Community's Common Agricultural Policy (CAP).

Motivated by a new determination to stem overproduction of EC farm products, the Commission emphasized a restrictive price policy rather than total reliance on sector structural reform and/or market adjustment mechanisms to clear the market of surpluses.

Council deliberations on the farm package were more protracted than usual. Detailed discussions were delayed until after the French elections in mid-March, and then, with talks underway, the Council of Ministers hastily retreated to traditional positions on several issues—most notably agrimonetary reform and select Mediterranean proposals—that kept the farm ministers from reaching a quick agreement.

After several marathon Council sessions, an agreement on the overall farm package was finally reached on May 12, although with reservation by the Italian Minister, who gave his final acceptance on May 18.

The 1978/79 farm price package, as approved by the Agricultural Ministers, does not differ greatly from the original Commission proposals. While the average rise in actual support farm prices (in u.a.'s) amounts to under 2.1 percent, the reduction in the milk coresponsibility levy increases the average price rise to about 2.25 percent, just slightly higher than the Commission's original proposals.

Reform of the EC's agrimonetary system was a major stumbling block to an earlier agreement on the 1978/79 price package. Unable to reach agreement on the Commission's proposals for an automatic yearly reduction in monetary compensatory amounts (MCA's)—taxes or subsidies applied to trade among member countries and with third countries— the Council basically agreed to ad hoc changes in member countries' green rates of exchange.

The Council, however, did express intention to "progress regularly on the path leading to the elimination of existing MCA's." Such a commitment could set a pattern for relatively small common u.a. farm price rises for the next several years with farmers in weak currency countries relying on green rate adjustments for most of their national farm price increases.

Because of the impact of green rate changes, the common u.a. price increase will average the same or slightly less in strong currency member countries and 6-12 percent more in weak currency member countries.

Taking into account the agrimonetary changes, a Communitywide tabulation of price increases in national currencies would average over 7 percent. Although likely to be below trending rates of inflation in many EC member countries, the substantial green currency adjustments could impair the EC Commission's intention to curb production of surplus commodities by holding down prices.

Highlights of the major price adjustments and a number of significant policy and structural decisions include:

Grains. Under the new price package, the intervention (support) prices for wheat and barley were raised 1.26 percent, while the corn intervention price was raised by 3.0 percent. As of August 1, 1978, these changes effectively closed the gap between intervention prices for feed wheat, corn, and barley—arriving at a single feedgrain intervention price of 121.57 u.a. per ton.

The single intervention price is intended to encourage greater use of domestically produced grains in animal feed in place of imports.

While there will be no difference between feedgrain intervention prices, the gap between target prices (and consequently threshold or minimum import prices) for

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[1] **In early August, 1 u.a. = $1.50.**

wheat will continue to widen. The target price for wheat was raised 2.73 percent to 162.39 u.a. per ton, compared with the 1.56 percent increase to 147.23 per ton for corn and barley.

In past years, when the market price for wheat hovered well above the intervention price, this rather wide difference between target prices and the concomitant large export restitution (subsidy) offered on external sales enabled imported corn to maintain an advantage over domestic wheat. Should a similar pattern develop during 1978/79, the aims of the single intervention price for feedgrains could be nullified.

However, with the EC's 1978 wheat production likely to be high and price levels close to the new common feedgrain intervention price, a substitution of wheat and/or barley in some formulas for imported corn could hamper an expansion of U.S. grain exports to the EC.

In response to allegations that the absence of MCA's was disrupting trade practices and leading to an unfair competitive advantage for the Italian pasta industry, the MCA's were reintroduced on January 2, 1978, for Durum wheat, Durum wheat flour, and pasta products.

The MCA's will serve to reduce the net levy applied to third-country Durum wheat and wheat product imports into the United Kingdom, France, Italy, and Ireland, and increase the levy applied in West Germany, Belgium, Luxembourg, and the Netherlands.

Dairy. Perhaps more important than the price increases and market adjustments made in the dairy sector for 1978/79 is the Council's decision not to suspend intervention buying of nonfat dry milk. The EC Commission had recommended suspension of the intervention system—the vanguard of the dairy CAP—during the winter production period (October-March).

In addition, the Council reduced the unpopular coresponsibility levy—a marketing fee on milk production—from its 1977/78 level of 1.5 percent of the milk target price of 0.5 percent. The new rate will apply until October 1, 1978, by which time the Council is to have reexamined both the coresponsibility levy and the plan to suspend the intervention purchases of nonfat dry milk.

Despite what appears to be a rather small common price increase in the milk target price for the 1978/79 marketing year (up 2 percent to 177 u.a. per ton), the chronic surplus situation in the dairy sector is not likely to show much improvement over the 1977/78 season.

When the reduction in the coresponsibility levy and green rate changes are taken into account, the 2-percent increase translates into a producer price increase of 2.6 percent in West Germany, 11.1 percent in the United Kingdom, 9.4 percent in Ireland, 6.7 percent in France, 8.3 percent in Italy, and 3.0 percent in the Benelux countries and Denmark.

Additional price-related changes include increases in the intervention prices of nonfat dry milk and butter of 2.0 percent and 1.8 percent, respectively. The little-used intervention prices for specified Italian cheeses were also raised 3-5 percent (in u.a.).

Concerning market adjustments in the dairy sector, the Council retained the U.K. consumer subsidy on butter, but agreed to phase down the EC's financial contribution to the subsidy.

Additional subsidies will be in effect for internal butter disposal programs and sales of milk and milk products to special categories of consumers.

The Council also agreed to the continued operation of the U.K. Milk Marketing Boards (MMB) with the provision that they comply with certain recommended structural and price-setting policy changes. These changes are aimed at assuring that continued existence of the MMB will not distort intra-EC competition.

Also approved—for at least another year—was the extension of the premium system for the withholding of milk production and herd conversion. Terms will also be made more favorable. Results of the scheme are to be reported to the Council by February 1, 1979.

This program could potentially affect U.S. exports, since a decline in dairy numbers would reduce the requirements for grain and vegetable proteins. To date, however, the progress of the nonmarketing and herd conversion programs has been slow.

Aid for the purchase and feeding of nonfat dry milk to hogs and poultry is to be continued in 1978/79 with the allowable subsidy now set at 43.3 u.a. per 100 kilograms. During 1977/78, over 460,000 tons of nonfat dry milk were used in various hog and poultry rations, thus displacing a protein equivalent amount of imported vegetable protein—a major U.S. commodity export to the EC.

Livestock and meats. The EC agricultural ministers approved a 2.5 percent increase in the guide price for cattle raising to 1,259.70 u.a. per ton, liveweight. Support prices for beef are based on the guide price for live cattle. The interven-

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tion price—fixed at 90 percent of the guide price—will increase at the same rate to 1,133.70 u.a. per ton. These prices took effect May 21.

The intervention system for beef and veal has been amended; intervention buying may be suspended if the price of certain qualities remains between 100 and 102 percent of the maximum buying-in price for 3 consecutive weeks.

The Council also agreed to maintain the premium for calves held at least 6 months after birth at 35 u.a. per head. The variable premium for cattle slaughter was also retained for the 1978/79 marketing year.

Starting in July 1978, MCA's charged on pork and pork products traded by member countries have been based on the lower intervention price equivalent of 78 percent of the basic price, in contrast to the 85 percent equivalent of previous years.

The reduced MCA's help pig farmers in the weak currency countries of Ireland, the United Kingdom, France, and Italy by reducing the subsidies on imports from stronger currency countries such as West Germany, the Netherlands, and Denmark.

In addition to the adjustment in the basis of the pigmeat MCA calculation for all member countries, France was granted a green franc devaluation to apply only to the pigmeat sector.

It is difficult to evaluate the potential effect of this measure, but the pig sectors in the weak currency member countries should benefit from reduced competitive imports and their requirements for feedstuffs could increase.

Sugar. For 1977, EC sugar production is estimated to have exceeded 11.0 million metric tons—about 122 percent self-sufficiency. In addition to surplus production, there are preferential imports of 1.3 million tons. In an effort to stem further surpluses of white sugar, the Commission recommended a price rise of only 1.16 percent. However, the final sugar price approved by the Council represented a 2 percent increase.

In addition, the Council—while adhering to the Commission's general recommendations to lower the B quota on which a partial guarantee (minimum 70 percent of that fixed for the A quota) is paid—reduced the B quota to 27.5 percent of the A quota, only half the reduction recommended by the Commission. The net effect of this change will be to reduce the quantity of sugar on which the Community is committed to pay a support price by about 5.5 percent or 700,000 tons.

Oilseeds. As a product group, oilseeds received the largest price advance. Rapeseed, with a target and intervention price rise of 4 percent, is one of the few commodities to receive a greater price boost for the 1978/79 marketing year than for the current marketing year (3.5 percent). The price increase for rapeseed, along with new French varieties containing a low erucic acid content, could lead to expanded production in a few years.

Sunflower target and intervention prices will be up 5 percent as will the soybean guide price. The 1978/79 guide price for soybeans is set at 321.70 u.a. per ton—almost 70 percent above the comparable c.i.f. Rotterdam price for soybeans. Although soybean producers receive a subsidy equivalent to the difference between the EC-determined world price and the guide price, EC soybean production is minimal.

In addition, the Council asked the Commission to examine the possibility of modifying rules for countervailing duties on imports of oilseed meals. The principal aim would be to offset the Brazilian subsidy on soybean meal exports to the EC. Soybean meal imports from the United States would not be expected to incur the countervailing duty.

Other products. In another Council decision, whenever the price of soybean meal falls below a trigger price of 285 u.a. per ton, EC feed compounders would become eligible for a subsidy on the use of domestically produced peas and beans in feeds. The subsidy would be calculated at 45 percent of the difference between the trigger price and the EC-calculated market price for soybean meal.

Feed compounder eligibility for the subsidy requires that producers of peas and beans be paid a minimum of 175 u.a. per ton. While the substitution of dried pulses for soybean meal is limited, this subsidy will ensure that 100,000 tons of field beans and peas used for animal feeding over the past few years will continue to substitute for soybean meal in the face of expected favorable meal prices over the 1978/79 marketing year.

The subsidy encouraging the use of domestically produced field (feed) peas and beans in manufactured animal feeds represents one of the latest efforts by the EC to reduce its growing dependence on imported sources of protein and other nongrain feedstuffs.

Regional Mediterranean policy. After years of limited efforts to redress the balance of economic development between the Community's northern and southern regions, the EC Commission tabled its proposals for a regional Mediterranean policy along with the price and agrimonetary measures.

Basically, the proposals aim at improving the agricultural production, processing, and marketing structures in these regions and increasing the competitive position of selected fruits and vegetables with respect to imports from third countries.

An additional incentive for processing of selected fruits and vegetables (peaches, dried prunes, and tomatoes) includes processing premiums, which are made available to processors of selected horticultural products, enabling sales to be made at prices competitive with those from third countries.

The Council also agreed to measures to improve the structural and regional policies in the Mediterranean region. Funds were allocated to improve the processing and marketing of agricultural products in the Mezzogiorno region of Italy and the Midi region of France. The Mezzogiorno region will receive funds for the improvement of irrigation projects and the Languedoc-Roussillon region of France for the improvement of the quality of wine produced.

The threat to the EC's Mediterranean region by EC enlargement and the conclusion of new or expanded agreements with other countries in the Mediterranean basin over the past 2 years, makes the economic development and increased protection of the EC's southern region and its products a near-term priority goal. □

EC Prices, Subsidies, and Related Measures for Selected Agricultural Products, 1977/78 and 1978/79 [1]

Commodity and type of price [2]	1977/78	1978/79	Increase from 1977/78 to 1978/79	Related measures or subsidies
	U.A.[3] per metric ton	U.A.[3] per metric ton	Percent	
Soft wheat				
Target	158.08	162.39	2.73	None
Intervention	120.06	121.57	1.26	
Reference[4]	135.59	136.96	1.01	
Durum wheat				
Target	224.27	224.27	(5)	Producer subsidy limited to certain areas of Italy and France will be paid at rate of 63 u.a./hectare (60 u.a./hectare in 1977/78)
Intervention	203.01	203.01	(5)	
Barley				
Target	144.97	147.23	1.56	None
Intervention	120.06	121.57	1.26	
Rye				
Target	155.12	155.12	(5)	Premium of 4.5 u.a./ton for baking quality rye (3.11 u.a./ton in 1977/78)
Intervention	128.96	130.25	1.0	
Corn				
Target	144.97	147.23	1.56	None
Intervention	118.03	121.57	3.00	
Rice				
Target, husked	295.71	301.26	1.90	Protective component for milling industry (11.50 u.a./ton included in milled rice threshold price) to be continued
Intervention, paddy	171.55	174.98	2.00	
Sugar				
Minimum, sugarbeets[6]	25.43	25.94	2.00	"B" quota reduced from 35 to 27.5 percent of "A" (basic) quota. Isoglucose tax of 50 u.a./ton extended through 6/80
Target, white sugar	345.60	352.50	2.00	
Intervention, white sugar	328.30	334.90	2.00	
Olive oil				
Target	1,877.80	1,915.40	2.00	Producer aid of 431.10 u.a./ton (limited to existing groves). Variable marketing subsidy for refiners.
Intervention	1,346.20	1,411.40	4.80	
Rapeseed				
Target	285.30	296.70	4.00	None
Intervention	277.10	288.20	4.00	
Sunflower				
Target	307.80	323.20	5.00	None
Intervention	298.90	313.80	5.00	
Peas and beans				
Activating price[7]	(8)	285.00	(8)	Subsidy to feed manufacturers equivalent to 45 percent of difference between world price for soybean meal and the activating price
Minimum price[9]	(8)	175.00	(8)	
Milk				
Target	173.50	177.00	2.00	Continue U.K. butter subsidy but reduce EC financial contribution to subsidy during 1978
Intervention, butter	2,309.50	2,357.20	2.07	
Intervention, nonfat dry milk	940.90	957.80	1.80	
Beef				
Guide, live weight[10]	1,229.00	1,259.70	2.50	Premium for the birth of calves is to continue through 1978/79 marketing year
Intervention, live weight	1,106.10	1,133.70	2.50	
Pork				
Base, carcass weight[10]	1,202.00	1,226.04	2.00	None

[1] Includes those prices, subsidies, and related measures agreed to under the 1978/79 price package and the Mediterranean package. [2] Target prices represent the level the EC wants the market price to approximate. Threshold, or minimum import, prices are calculated from target prices by deducting transportation and other costs incurred between the point of importation and the area for which the target price is fixed. Intervention, or support, prices represent the level paid to producers should the EC have to make purchases in an oversupplied market for a particular commodity. [3] In early August, 1 u.a.=about $1.50 [4] Applicable to milling quality wheat during the first and last quarters of the wheat marketing year. [5] No change. [6] The minimum price refiners must meet in their contracts with growers—applies to within-quota production. [7] The price at which the manufacturer's subsidy is activated. [8] Not applicable. [9] The minimum price feed manufacturers must meet in their contracts with growers. [10] The guide, or orientation, price for beef is used to determine the market price level at which support measures come into force. The base price for pork is also used for the same purpose.

European Court Closes Case on EC's NFDM Plan

The European Court of Justice has written the final chapter in a 2-year-old, three-way dispute over a European Community (EC) program for the virtual compulsory incorporation of surplus nonfat dry milk (NFDM) into livestock feed. Although the Court had previously declared the scheme invalid under EC law, it dismissed, on May 25, a damage suit filed by several West German firms, whose operations had been affected by the program.

As a result of mounting pressure by EC compounders and trade groups in the United States, the EC had begun to phase out this NFDM program in October 1976.

In parallel action to the Court's proceedings, the EC program also was ruled in violation of provisions of the General Agreement on Tariffs and Trade by a GATT Panel established at the request of the United States. Essentially, the United States maintained that the compulsory use of NFDM in animal rations was a mixing regulation displacing imports of U.S. vegetable proteins and impaired U.S. rights under GATT.

The dispute dates back to March 1976, when the EC issued regulations designed to dispose—by November 1976—of 400,000 metric tons of NFDM from the stockpile acquired through intervention purchases under the Community's dairy price support system. Those regulations mandated the purchase of specified quantities of NFDM from intervention agencies by EC producers and importers of oilseed cake and meal, dehydrated fodder, and compound feeds.

The NFDM purchased under the scheme was to be denatured and used as livestock feed. Compliance with the NFDM purchase program was enforced primarily by requiring a deposit on imports of protein feed that was refunded only after the compounder bought specified amounts of NFDM from surplus intervention stocks.

The price for NFDM purchases from intervention was set at 52.16 units of account for 100 kilograms (about 66 U.S. cents per kilogram) plus denaturing costs, or only half the amount that intervention agencies had paid producers in acquiring the stocks.

Nevertheless, NFDM purchased under the scheme was no bargain for EC feed compounders. Some of them brought the case to the European Court of Justice (ECJ). In a ruling on July 5, 1977, the Court noted that the regulations set the purchase price for NFDM at a level of three times the value of the milk powder as a feed component. Therefore, the regulations constituted a discriminatory division of burdens between different sectors of the economy in violation of Article 40(3) of the Treaty of Rome and were declared invalid by the court.

The ECJ deferred, however, until a later date its decision on whether to award damages to those affected by the scheme. In that decision on May 25, the ECJ dismissed all damage suits stemming from the NFDM purchase scheme and ordered the plaintiffs to pay the court costs. The Court ruled that legal grounds did not exist under the Treaty of Rome for awarding damages.

Aside from the Court action initiated by EC compounders, the U.S. Government strongly objected to the compulsory purchase and import deposit provisions of the EC program.

Shortly after the program was announced, the United States held bilateral consultations with the EC, arguing that the scheme violated GATT provisions and impaired U.S. rights since NFDM and vegetable proteins were products of a similar type, and the scheme was, in fact, a mixing regulation requiring the use of specified quantities of domestic products in relation to imported products.

The United States is the major supplier of soy and other protein feeds to the EC, with shipments of soybeans and meal to the EC valued at more than $2.5 billion in 1977.

When the U.S.-EC bilateral talks failed to produce a satisfactory solution, the United States referred the case to the whole membership of the GATT.

In September, 1976, the GATT Council established a Panel to investigate the U.S. complaint and completed the work by December 1977. The basic U.S. position was essentially upheld, although the EC was not found to have violated all the GATT principles cited by the United States.

However, the EC compulsory purchase requirement had been terminated at the end of October 1976, as originally planned—and in advance of both the GATT Panel's and the ECJ's decisions. As domestic and international opposition to the program mounted, the EC chose not to extend it, although NFDM taken out of intervention fell 35,000 tons short of the original goal of 400,000 tons.

The 365,000 tons of surplus NFDM purchased by feed compounders substituted for an equivalent amount of vegetable protein, which otherwise would have been purchased from outside suppliers, since the EC is a major net importer of protein meal. □

By Dan Conable, agricultural economist, Trade Operations Division, Foreign Agricultural Service.

Argentine Cotton Crop a Record

Because of extremely favorable weather this season, Argentina harvested (Feb. 1-June 30) a record cotton crop of 965,000 bales (480 lb net). This new estimate is 8 percent above the previous 1977/78 estimate of 895,000 bales and 27 percent above last season's production of 758,000 bales.

As of mid-June, about 640,000 bales of the new crop had been contracted for export and of this about 365,000 bales shipped.

The Far East has purchased 60 percent of the total, with Japan being the largest buyer. The People's Republic of China also has purchased substantial quantities of Argentine cotton.

Argentina's total exports for 1977/78 are estimated at 510,000 bales, up from 347,000 bales in 1976/77. Consumption in 1977/78 is to be about 459,000 bales. □

Secretary Bergland Sees USSR Farm Leaders

During Agriculture Secretary Bob Bergland's trip to the Soviet Union, Poland, Hungary, and Romania, May 9-25, 1978, agricultural cooperation and trade were discussed with officials of the four countries. Photos taken in the USSR show Secretary Bergland: (1) With Soviet Minister of Agriculture V. K. Mesyats; (2) riding a tractor in Siberia with Deputy Agriculture Minister B. A. Runov; (3) discussing operation of the Soviet tractor with drivers; (4) being presented with a sheep's head —a delicacy reserved for the guest of honor—at a Kazakhstan dinner; and (5), breaking bread in the Ukraine with Soviet Academician V. N. Remeslo. Eastern Europe and the Soviet Union have been fast growing importers of U.S. farm products, collectively taking $2 billion worth in 1977.

Brazil To Set Orange And Orange Juice Production Records

Brazil, the world's largest orange juice exporter, expects to set records in 1978 in both orange and orange juice production, and is seeking new juice markets to absorb some of the augmented output. Last year's outturn of both oranges and juice was down from the 1976 highs because of heavy rains during the flowering and fruit-set seasons, but this year's crop benefited from generally better weather.

Individual exporters of frozen concentrated orange juice are focusing their marketing efforts on countries in Eastern Europe, while at the same time trying to boost sales to traditional markets in Western Europe and North America. The processors also have discussed a joint $6-million market-development program aimed primarily at increasing sales to Western Europe. The thrust of the program—still only in the talking stage—would be to mount an advertising campaign during 1979 to build consumer recognition of Brazil as a supplier of top-quality orange juice.

Brazil's orange crop—mostly produced in the State of São Paulo—is expected to reach 6.4 million metric tons (156.9 million 40.8 kg boxes) in 1978, 16 percent higher than the poor 1977 outturn of 5.5 million tons (134.8 million boxes). São Paulo's 1978 orange production—making up some 70 percent of the total—is estimated by the State's Secretariat of Agriculture at 4.7 million tons (115.2 million boxes), compared with 3.7 million tons (90.7 million boxes) a year earlier. However, there is wide disagreement over the size of São Paulo's crop.

Unofficial estimates range from 104 million boxes to over 120 million. However, a more likely figure is 115 million boxes—some 107 million from commercial groves and 8 million from noncommercial sources. The 115-million-box estimate is not as high as earlier envisaged, the drop being attributed to dry weather in the southern part of the State's commercial citrus zone in late February and mid-May and in the northern part in late March to the middle of May.

Brazil's previous orange production record was set in 1976—nearly 6.0 million tons (147.1 million boxes).

Over 90 percent of São Paulo's orange crop is marketed through commercial channels and two-thirds to three-quarters of the commercial crop is processed. Almost two-thirds of the orange crop in the rest of Brazil also is marketed commercially but is sold on the fresh fruit market.

São Paulo also produces most of Brazil's lemons, limes, and tangerines. Lemon/lime output is expected to be 9.1 million boxes in 1978, about the same as in 1977, but about 300,000 boxes less than in 1976. The tangerine crop—at 14.6 million boxes—is higher than the 13.9 million of 1977, but less than the 15 million a year earlier.

For some years, São Paulo has been replacing old orange trees having limited production potential with new, improved varieties. It is estimated that the State has a total of 86.6 million orange trees, 66.2 million producing and 20.4 million immature, nonproductive trees.

São Paulo's lemon, lime, and tangerine groves also are being revitalized by replacement of old trees. Lemon and lime replacements in 1978 may come to 680,000 trees, the statewide grove totals about 4.5 million trees. Tangerine replacements are expected to reach 1.6 million trees; the total is seen approaching 8.6 million trees.

Orange production in the neighborhood of 150 million boxes is foreseen for São Paulo by the early 1980's, given the expected average production of 2 boxes per tree for the 20 million recently planted trees. These are expected to reach full productivity by the end of the decade. Some observers foresee a crop of 200 million boxes by the mid-1980's, but this is pinned to the assumption that current favorable market conditions will continue until the end of the 1970's.

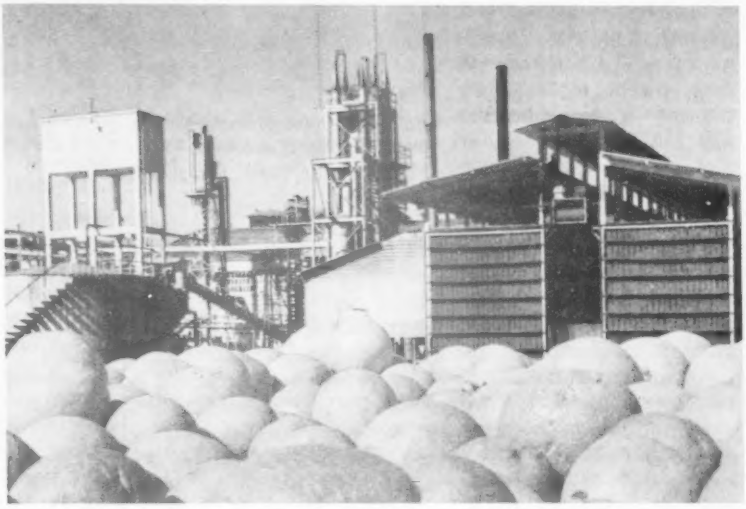
Competition for land between oranges and sugarcane is intense, and area devoted to the latter crop seems to be increasing steadily. This means orange-production increases must largely come from the output of replacement trees, which have much better yields than earlier varieties.

São Paulo's output of frozen concentrated orange juice (FCOJ) from the 1977 crop is estimated at 205,000 metric tons (65° brix), slightly less than production of the previous year. The initial forecast for concentrated juice output from the 1978 crop is 264,000 tons, 29 percent more than in 1977. Most of this juice produced in and exported from Brazil is commodity grade. A very small proportion of the total is dairy-quality juice.

The trend in São Paulo is for a reduction of competition among orange juice processors. Until 1976, São Paulo had nine orange juice plants, each operating independently, under separate ownership. Because of their precarious financial situation, a number of the smaller plants sold out to some of the larger ones. The latest amalgamation took place in early 1977, when two of the State's largest firms formed a holding company and bought three of the smaller firms. Together, these two now own six of São Paulo's eight major firms, which account for about 80 percent of the State's total processing capacity. Although the holding firm's three plants did not operate in the 1977

Based on report from Edmond Missiaen, U.S. Agricultural Officer, São Paulo.

Clockwise from left: Steel drums, soon to be filled for the export trade, stacked outside Brazilian orange juice processing plant; exterior view of plant, with fresh fruit in bin in foreground; Porto Alegre open-air market, typical of the outlets selling fresh citrus, as well as other fruits and vegetables.



season, they are expected to help process São Paulo's current orange output.

Actual orange processing capacity in São Paulo is estimated at 85-90 million boxes annually. Although expansion plans of the São Paulo firms are uncertain, several are expected to increase their processing capacity slightly during the next several years, and three new firms may open factories. These enlargements could bring São Paulo's annual processing capacity to over 100 million boxes by the end of 1979. Also in São Paulo, one of the State's large processors has entered into a joint venture with a multinational beverage company to manufacture and distribute citrus concentrates for use by carbonated beverage manufacturers, mostly overseas. The joint firm is also expected to manufacture concentrated orange juice for the Brazilian retail market.

Last year, a citrus processing plant opened in northeastern Sergipe State, the first major plant located outside of São Paulo. Able to process only 1-1.5 million boxes of oranges from the 1978 crop, the new facility will be able to expand production to an ultimate 3.4 million boxes.

During calendar 1977, Brazil's FCOJ exports totaled 213,524 metric tons, valued at US$177 million. Although the volume was only slightly higher than in 1976, value was up a whopping 75 percent. Exports from the current crop are forecast at 205,000 tons, and next year they could be 25-30 percent higher, if concentrate is available.

The largest export market for Brazilian frozen concentrated orange juice is Western Europe, which accounted for 61 percent of Brazil's foreign shipments in calendar 1977. Exports to the United States and Canada also were sizable.

Brazil's shipments of FCOJ to major marketing areas in calendar 1977 (with 1976 totals in parentheses), in thousands of tons, are as follows: The European Community, 100 (125); the United States, 47 (17); other West European countries, 30 (27); Canada, 21 (16); and Israel, 6 (15).

Exports of fresh oranges were valued at $5.3 million in calendar 1977—about the same as in the previous year. Exports of other citrus fruit were insignificant. Almost all exports originate in São Paulo.

Brazil's top orange export markets in calendar 1977, with volumes in tons, were: The Netherlands, 26,-103; the German Democratic Republic, 5,913; Finland, 1,806; the United Kingdom, 1,255; and France, 290. □

Peru's Fish Haul Higher Than First Anticipated

Peruvian fishermen haul a catch of anchovies aboard a fishing boat. Peru's industrial fish catch for the first 6 months of 1978 was significantly higher than in the comparable period of 1977.

Peru's industrial fish catch during the first 6 months of 1978 is now estimated at 1,426,000 metric tons—much higher than had been anticipated earlier and raising the possibility that the total 1978 catch will surpass 2 million tons. Last year's estimated total catch was 2,156,000 tons.

Because of lower broiler production this year, it is possible that total domestic fishmeal consumption will be no more than the 82,000 tons forecast earlier. However, with the much higher expected meal production, Peru could end the year with an inventory of at least 100,000 tons and the amount available for export could be more than 400,000 tons, compared with 624,000 tons in 1976 and 436,000 tons in 1977.

The Peruvian Government on July 7 suspended all fishing for meal and oil production in line with the customary seasonal shutdown to permit spawning. It is expected that a resumption of fishing will be authorized in September.

Peru's total catch for the first 6 months of 1978 is 258,400 tons greater than in the comparable period of 1977. About 711,000 tons were harvested during the first 2 months of this year, and with the renewal of fishing in April, weekly catches quickly reached the 50,000-ton level. In the final weeks before the recess, harvests jumped even higher as fishermen strove to maximize their catches before the usual midwinter suspension of fishing.

The number of Peruvian factories engaged in processing fish for human consumption has more than doubled to 41 in the past few years. Accompanying this expansion has been the growth of fish catch and residual fish parts processed directly into meal and oil by these plants.

In calendar 1977, Peru's plans processed 136,800 tons of fish parts and 114,100 tons of whole fish for industrial purposes. This year, the packing industry has already processed an estimated 162,000 tons of whole fish and residuals.

The results to date and the more optimistic outlook for the final months of 1978 point to a higher-than-anticipated total year's catch. Fish populations of species other than anchovies in the central and northern zones are reported to be relatively abundant.

Weekly anchovy catches have held at around the 25,000-ton mark in the southern zone, exceeding earlier expectations. Equally large anchovy harvests are expected when fishing recommences.

Based on this new outlook and higher-than-expected meal yields, total fishmeal production for calendar 1978 may reach 485,000 tons. Some 321,000 have already been processed from this year's catch.

Oil yields, on the other hand, have been considerably lower this year—2.89 percent, compared with 4.94 percent in 1977—partly because of the higher percentage of anchovies. As a result, oil production for 1978 is forecast at 65,000 tons—only 5,000 tons more than forecast earlier.

Peru's fish oil production, regardless of the final catch total, will be consumed domestically. Imports of about 100,000 tons of soy oil this year are forecast to fill the gap between domestic requirements and production. □

Based on dispatches from Richard L. Barnes, U.S. Agricultural Attaché, Lima.

New FAS Publications

- Europe's Canned Deciduous Fruit Pack Drops (FCAN 2-78)
- World Hop Production Rises in 1977 (FH 1-78)
- European Community: Grain Supply/Utilization, Trade Flows, Prices, Marketing Organization (FG 7-78)
- U.S. Oilseed and Product Export Trade Earnings Reach Record $5.9 Billion (FOP 6-78)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918-S. Tel. (202) 447-7937.

World Bank's Latin American Loans at Record $2 Billion

World Bank/International Development Association lending for agricultural and rural development in the Caribbean and Latin America during fiscal 1978 (July-June) accounted for $655.5 million—the largest single sector of the record $2.1-billion lending total for the 17 member countries in that area.

Twelve of the 49 loans, accounting for about a third of the total value, were for agricultural projects, while five transportation loans in the area had a total value of $199 million.

The agricultural loans covered such projects as grain storage facilities in Argentina, agricultural credit projects in Argentina and Mexico, and Ulla Ulla rural development project in Bolivia to improve wool production, the Black Bush irrigation project in Guyana, Guayape regional development project in Honduras, sugar industry rehabilitation in Jamaica, tropical agricultural development in Mexico, and agricultural extension in Brazil.

Three rural development projects in Brazil's northeast will be executed with Bank support. These projects are to be implemented in Bahia, Ceara, and Paraiba, three of the area's most populous states.

The 49 World Bank loans will support total investments totaling about $9.1 billion by governments of the member countries. Forty-four of the loans, involving about $2 billion, are on standard terms, and five loans, totaling about $55.6 million, are on concessional terms.

Lending for projects in Brazil accounts for a record $705 million; Mexico, $469.5 million; and Colombia, $354.6 million. Other loans are for projects in Argentina, Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, and Uruguay. □

New Shipping Report

A reference report on ocean liner cargo services from U.S. ports to selected Middle Eastern ports as of January 1, 1978, has been published by FAS. For a free copy of "Ocean Liner Cargo Service, Supplement 1," write T. M. Poerstel, FAS Transportation Coordinator, USDA, Washington, D.C. 20250.

GSP Petition Hearings

The U.S. Office of the Special Representative for Trade Negotiations (STR) has accepted for consideration petitions from interested parties requesting that U.S. Generalized System of Preferences (GSP) benefits either be extended to, or withdrawn from, more than 100 specific products. Among them are 19 selected agricultural items.

The action is part of STR's continuing review of the GSP, which grants limited duty-free treatment to selected exports from eligible developing countries.

Public hearings on petitions will be held by the Trade Policy Staff Committee, an interagency panel chaired by the STR, beginning September 18 at the New Executive Office Building, Washington, D.C.

A list of the petitions requesting the inclusion of 19 additional agricultural products under GSP follows (abbreviated description, TSUS number, and petitioner):

Cheeses not specially provided for (117.8560 or 117.8560 pt and 117.8570), Nahariya Dairy Strauss, Ltd., Israel.

Cheese, smoked (117,-8560), Gov. of Nicaragua.

Jicamas and yams (137,-8660), Government of Colombia.

Yucca, frozen (138,5060 pt), Government of Costa Rica.

Peas, dried, split (140.45), dried vegetables other than beans, various peas, garlic, lentils, lupines, onions, and potatoes (140.55), and dried vegetables reduced to flour other than garlic, onions, and potatoes (140.75), Deco-Swiss Dehydration Company, Ltd., Israel.

Pimientos (141.60) and tomatoes, other (141.66), National Fruit and Vegetable Board, Portugal.

Papayas (148.65), Governments of Panama and Peru.

Papaya pulp (152.65), Government of Costa Rica.

Slivovitz and imitations of brandy (168.27 pt, 168.28 pt, 168.29 pt, and 168.90), Government of Yugoslavia.

Coconut oil (176.17), Trust Territory of the Pacific Islands, Government of Malaysia.

Olive oil (176.29), Governments of Argentina, Turkey.

Cut flowers (192.20 or pt), Dominican Republic (Export Promotion) and Government of Panama.

Fresh orchids (192.20 pt), Government of Singapore.

Wool, greased (306.3172), Government of Argentina. □

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Thomas R. Hughes, Administrator, Foreign Agricultural Service.

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Maid of Cotton Circles World To Visit Users in Europe, Asia

The 1978 Maid of Cotton, Ruth Ann Harmon, of Durham, N.C., recently completed a world-circling trip to visit large-scale cotton users in nine countries, during which she participated in fashion shows, press conferences, and radio and television programs, as well as a host of other activities. Shown clockwise from top right: Miss Harmon at Bremen Cotton Exchange; (small photo, left) with press photographers in London; (small photo, right) luncheon fashion show in Manila; with officials of the Japan Spinners Association, Japan Cotton Promotion Institute, and cotton-using firms in Osaka; at press conference in Tokyo. The Maid of Cotton is sponsored by FAS, Cotton Council International, and the National Cotton Council.